File

Acklands Limited

Text of an address
by
NATHAN STARR, C.A.
Executive Vice-President

To The
Winnipeg Society
of Financial Analysts
June 30, 1967

Gentlemen:

I should like to thank you for your kind invitation to speak to you today. It is not very often that the opportunity to address so illustrious and knowledgeable a segment of the financial community comes my way.

Having come up through the financial side of our business to the position of executive vice-president, I feel much akin to the fraternity of financial analysts, and I know that you all appreciate the problems involved in running a fairly large organization such as ours.

On the other hand, eating, breathing and sleeping Acklands—as I do—I find it particularly pleasant and satisfactory to have an audience interested in hearing about this subject.

There is no need for me to delve into Acklands' history, beyond saying that the firm was established way back in 1889. Those of you who are not aware of our early beginnings I would refer to our 1966 annual report, which includes a historical review of Acklands. If you do not have a copy, I shall be delighted to have one mailed to you.

I am going to talk to you about the Acklands of today, what we do, where we are going and what makes Acklands a living entity.

I am often asked: "What *is* Acklands? What do they do?".

The answer, quite simply, is that we are a group of merchandising and marketing companies. We buy a great many different products, bring them into our operations, find users for them and sell them to customers who require the very best of prompt service when they need these products at a given destination.

We sell on the best possible economic basis and expect a small difference in the form of profit to be left over from these transactions, to provide an adequate yield on our investment for the company and its shareholders, with a reasonable amount being retained for future growth.

Acklands is a group of wholesale distribution companies which market a very wide range of products from Vancouver Island to Montreal. We have branch locations at Campbell River, Port Alberni, Nanaimo and Victoria on Vancouver Island; at Prince Rupert, Terrace, Prince George, Fort St. John, Dawson Creek, Williams Lake, Kamloops, Penticton, Vernon, Chilliwack, New Westminster, Trail, Nelson, Castlegar, Cranbrook and Vancouver in British Columbia.

In Alberta, we have branches at Peace River, Grande Prairie, Westlock, St. Paul, Edson, Camrose, Lacombe,

Stettler, Red Deer, Olds, Medicine Hat, Lethbridge, Calgary and Edmonton.

In Saskatchewan, the newest of the "have" provinces, we are well located at Meadow Lake, Lloydminster, Prince Albert, Tisdale, Melfort, North Battleford, Saskatoon, Humboldt, Kindersley, Lanigan and Esterhazy, Yorkton, Regina, Rosetown, Moose Jaw, Swift Current, Moosomin, Estevan, Weyburn and Assiniboia.

Acklands' Manitoba operations include Thompson, Flin Flon, The Pas, Swan River, Dauphin, Neepawa, Brandon, Portage la Prairie, Winnipeg, Selkirk and Transcona.

At the "head of the lakes" we have branches at Port Arthur, Fort William, Dryden, Kenora and Fort Frances. Elsewhere in Ontario Acklands operate at Sault Ste. Marie, Swastika, Sudbury, Brantford, Hamilton and in Toronto.

Our lonely branch in "la belle province" is in Montreal.

In all there are more than 150 Acklands operations in some 80 cities and towns in Canada, about 70 of them west of the Lakehead.

Now that we have established the fact that we have locations—what do we put into them?

At this point I should tell you that while most of our branch operations are similar in character, there are

differences. Each branch has to deal with its own special situation. Each has to cater for one or more specific types of business capable of using a product and needing Acklands' special kind of service. Yet our branches also carry products which Acklands sell on an overall basis.

Perhaps I had better clarify this last point.

All our automotive branches, for instance, carry spark plugs, paint, ignition parts, mufflers etc., but in certain locations, where one or more specific industries must be catered for, they may also carry welding rods, gases, electrical wiring devices, or—in some cases—electronic equipment.

We are quick to cater for the needs of a given industry.

Our branches at Lanigan and Esterhazy, for instance, were set up to serve the potash industry near these centres in its development stage. Our response to the needs of the mining industry at Thompson in Manitoba was immediate. We are there when special situations of this type occur, assessing requirements so that we can properly meet the needs of a particular project.

Among the approximately 3,000 suppliers from whom we buy the products which Acklands sell are Steel Company of Canada, Dominion Foundries and Algoma Steel Company. From these firms we purchase most of our supplies of steel sheets, coil, merchant bar and structural steel.

Canadian Westinghouse, Canadian General Electric

and Philips Electronics provide our branches with light bulbs of every description, with electrical supplies, radio and TV tubes, small and large appliances, electronic semi-conductors, tape recorders and many other items.

We purchase considerable quantities of batteries from Electric Storage Battery Company and from Burgess Battery Company. Among the many different products we buy from Union Carbide are Eveready batteries and Prestone anti-freeze fluid.

Acklands buy large quantities of Fisk tires from Uniroyal.

We are the distributors of Eaton Yale and Towne's "automatic" line of lift trucks and other material handling equipment.

Acklands is a major distributor of SKF ball and roller bearings.

We distribute automotive refinishing paint and varnishes produced by C.I.L., as well as their ammunition, rifles and plastics. The house paint we sell is the product of C.I.L. and of Glidden.

We handle all the abrasives and adhesives of the 3M Company and the grinding wheels and abrasives of Bay State.

We sell welding electrodes and welding machines made by Air Reduction Company of Canada.

Acklands sell records under franchise from, among

others, Decca, Quality, Columbia and Warner Brothers.

In British Columbia we are the exclusive distributors for Mercury motors and Zenith TV and Hi-Fi. Other companies in our group sell Evinrude and Emerson.

We are also in the contract builders' hardware field, in quite a big way.

I could carry on for a long time with lists of the different products that fill our warehouses and stock the shelves of our branches, but I have no wish to weary you. What should perhaps be stressed, however, is that between 75-80% of the merchandise sold by Acklands or by companies in the Acklands group is either wholly manufactured or processed in Canada.

Now that we have filled our warehouses and operating units, how and to whom do we sell what they contain?

Actually—we begin by finding our market. We make sure of what it is that our customer wants or is likely to need. Then we stock our shelves, making ourselves his back-up stock, so to speak—his inventory department.

Orders are booked by our salesmen through personal contact with the customer, or over the telephone by telephone salesmen who have specific territories and specific accounts assigned to them. It does happen, also, that we are fortunate enough to be chosen from among bids on tendered jobs. At other times—several times a day, I might add—orders reach us through the mails and soon, we understand, they may be reaching our offices via data phone hook-up channels.

The efficiency of Acklands' customer service owes a good deal to the elaborate Telex and telephone systems that now link all our branches with one another and with the Winnipeg head office.

Among our 45,000 customers in Canada are many prominent industrial concerns, mining companies, federal and provincial government agencies, and large retail organizations.

This, however, is still not all.

We also operate a warehouse re-distribution business, selling to other jobbers. A number of these firms purchase most of the merchandise they handle from us. Others buy from us only those lines for which we are the exclusive distributors.

We sell automotive parts and supplies to garage and body shops, to service stations, fleet operators, automotive dealers and industry.

There are Acklands-franchised hardware stores throughout the greater parts of some of the provinces retailing our own product lines. To franchised T.V. and appliance stores and to other retailers we sell our lines in these fields as well as records.

Our lines of marine hardware and outboard motors, boat trailers and boating supplies are bought by marinas and other types of boating retailers.

We supply contractors of all kinds with their needs.

We supply municipalities, hospitals and schools with the latest communications equipment, and industry with some pretty sophisticated electronic gear. Such equipment, of not nearly the same degree of refinement and intricacy, is needed also for quite simple operations. This, too, Acklands supply.

Acklands' "involvement" goes further than the mere filling of orders. We develop entire marketing programs and aids of various kinds to assist our re-sale customers in the sale of merchandise they buy from us, and for an industrial client we will, if necessary, develop a product to meet his need. We will assess his requirements and assume the function of his stores department.

We are truly a merchandising and marketing complex. Now that Acklands has a purchasing office in Osaka, Japan, and—through the British Booker group's facilities—direct access to many international markets, our buyers can—and do—search the world's manufacturers for new and better products likely to interest Acklands' customers and capable of being sold at competitive prices in Canada.

The very real problem of how to maintain the famed efficiency of Acklands' customer service in spite of the growing complexity of our day to day activities was solved by enlisting the services of full-scale computer installations.

In Vancouver, an IBM 360/30 now handles administration data statistics and some inventory control, besides accounts payable, accounts receivable and the pay-

roll. In Winnipeg, the same tasks are performed by a Burroughs 373.

I am asked from time to time whether we have much competition. My answer has always been that even a monopoly has competition. This may seem a little odd, but if you consider the situation carefully you will realize that in order to hold on to what business they have and to obtain new business, everyone must constantly be on the look-out for new products, new markets and more ways in which to be of service.

"Service" includes a lot of things—the most important of which is treating your customer as you would want him to treat you—if you were the customer. His needs must always be your most important concern.

We have tried throughout these past years to keep our organization simple. We carried on like that when sales stood at $5¾ million, and when they reached $91 million. All we have done now is add titles to the names of some of our people.

Since 1960, Leonard Wolinsky has always been our No. 1 man, with Hyman Bessin the president. They have always worked as one. I myself have been operating as secretary-treasurer, but have in fact borne the burdens and responsibilities of the executive vice-president, the title I now have. George Forzley, Harry Kirkpatrick, Norm Peden, Arnold Main, Don Dawson and John Dawson have in fact been responsible for the areas which are their respective responsibility today—except that we have now made them vice-presidents and provin-

cial general managers, with Forzley acting as senior vice-president of all the operations. In essence, the responsibilities of these people have not greatly changed, they have merely increased.

We have grown—in volume, and we are sure that we will grow in profit. Our operations have been, and continue to be, streamlined to make them more efficient and profitable . . . that, after all, is the name of the game.

What has happened thus far in 1967?

To the best of our knowledge we have maintained the total volume of all of the companies (as near as we can measure), and for the first six months of Acklands, and five months of the new larger group, we have had sales of approximately $36 million. Net profit for that period before taxes (but after depreciation charges of some $300,000 and long-term debt interest charges of approximately $250,000) was in the vicinity of $500,000. This is after deducting the entire costs required to reorganize those branches and operations which during the last year of PPD lost at least $3¼ million, but before allowing for special charges.

Our president, Hyman Bessin, said at Acklands' annual meeting that we have turned the corner. I say we have driven around a whole block. We have in fact watched our varied operations grow from weakness to strength, and if the same strength that was demonstrated in May and June, 1967, can be maintained, we will be achieving Acklands' profit standards by the end of this year, and no doubt into 1968 and the years to come.

Where do we go from here?

I believe that this is more or less elementary. Of our total sales volume of approximately $91 million, about $80 million is in products distributed west of the Lakehead. It is only natural that we should now endeavour to broaden the distribution and marketing of our products in Ontario, Quebec and the whole of Eastern Canada. We are even thinking of still further expansion, south, into the United States, now that impending tariff changes promise considerable trade opportunities in that direction.

This is not all. The pioneering spirit of our founder is very much alive among the young men of Acklands' management today. Just as Acklands was among the very first of Canadian wholesale operations to appreciate the immense efficiency gain of a computer installation, so Acklands is likely also to be among the first such companies to plan entry into the related fields of product manufacture and retail distribution—natural avenues of further growth and expansion for an organization such as ours.

Let me say in closing that our management is a hard-hitting team of young people ever mindful of their responsibilities to the companies' employees, to our shareholders, to our local communities and to the growth and needs of our country. We intend, over the next ten years, to grow at a rate which could be as interesting as that of the past decade. In those years volume grew from $5¾ million to $20 million in 1966, profits from $90,000 to $460,000 last year, and who

knows what they will be on the projected volume of $90 million for 1967? Equity during the last ten years rose from $1 million to over $13 million. Acklands is certainly displaying every appearance of solid, healthy growth, and we intend to keep it that way. I hope to be around ten years hence, to see whether we have attained our growth rate objectives.

Thank you.

ACKLANDS LIMITED

Head Office: 125 Higgins Avenue, Winnipeg, Manitoba

Printed in Canada

Acklands Limited

Text of an address
by
NATHAN STARR, C.A.
Executive Vice-President

To The
Toronto Society
of Financial Analysts
December 6, 1967

Gentlemen:

When I received your invitation to address this group on Acklands Limited, I wondered what I could say about our company that hasn't already been said. "I felt like somebody's fifth husband—I was not quite sure that I knew what was expected of me."

Knowing that I could not merely "redistribute" my address of June 30, 1967 to the Winnipeg Society of Financial Analysts, I decided to speak to you about our management team, how it works and what it has done.

Let us take a few minutes to briefly review what has happened to the "hard goods" distribution business over the past 30 years.

The "old line" distributing companies, like Acklands in the West, were family owned or controlled. Many were founded before the turn of the century by men who pioneered our country. The founders of these businesses started with modest amounts of capital, worked hard to build them, and were in fact not much different from what we at Acklands are today.

The distribution business was not exclusive to Western

Canada—Eastern Canada was well endowed with the pioneering spirit, too. At that time, the long distances between the factories then concentrated in the East, and the consumer, made it necessary for manufacturers to market their products through distributors spotted throughout the country.

The founders of these distribution businesses attempted to shield their heirs from the elements of every day entrepreneurial life and from the stresses and strains of business. Some men of the younger generation liked the distribution business, others merely tolerated it, because it provided them and their families with a comfortable livelihood. They were not too interested in expanding their operations. No great management skills were required amidst "oil strikes and gold finds". What was needed were quotas or allocations of supplies, and the merchandise was sold before it was even received.

Some of this easy business lasted until the early 1950s, when business started to get harder to obtain. Costs of operations began to increase, while profits were greatly reduced or became non-existent. Losses began to appear. Many of the old family-run, family-controlled distributing businesses were sold, including Acklands—sold by the Ackland family in 1949. In the United States, Marshall Wells was sold in 1955/56, the Shapleigh family of St. Louis sold out around 1957. So did Hibbard, Spencer and Bartlett, of Chicago, and Union Hardware of California.

Among the Canadian companies who left the business scene, or sold out at this time, were White's

Hardware, Lewis Bros. Hardware, Walter Woods, Wood Alexander, and many other family businesses.

Why?

Better road and rail facilities made it much easier for the manufacturer to market his product. Chain and discount department stores were now buying direct from the manufacturer for redistribution to their branch operations—buying groups began to form. Manufacturers started looking at possibilities of direct distribution of their products. Distributors with alert management had to find new products to replace those lines which manufacturers were now distributing direct, and to replace low profit lines with new lines allowing a better margin of profit.

The companies that survived the late 1950s and early 1960s were those with efficient management teams willing to accept change and to adapt to new market conditions. They did not suffer from "management deficiency".

Acklands built up a "family-type" management team from their employees. To a great extent, this is why Acklands today is different. We continue to bring along strong, young and aggressive, willing to be taught and to teach management employees. We pay them well and, in addition, provide them with profit sharing incentives. The principle of incentive remuneration is extended to all employee classifications.

How does Acklands operate?

In order to know that we are making a profit out of a particular major line, we have divisionalized our operation so that individual profit and loss figures can be provided by branch and by division. Management personnel are rewarded for their efforts in making a particular branch or division profitable.

We have broken up our management group so that each member is responsible only for a reasonable and controllable segment of the operation. Responsibilities are divided provincially, divisionally or by product. Provincial vice-presidents, responsible for operations in their provinces, report to a senior vice-president who in turn is responsible to myself. All of us, of course, are responsible to Acklands' board of directors. Each province is further divided into zones or regions with people at various levels being responsible for all aspects of branch operations: sales, personnel, internal control, inventory checks, etc.

We were one of the first groups in the distribution business to employ modern data processing equipment to meet management's need for accurate and up to date information and to speed up the handling of accounting data.

One of our companies, a couple of years ago, used data processing for an "impact report" on the relationship of sales to inventories. They found that the old adage of 80% of your sales from 20% of your merchandise was not true and that 86½% of the sales of this company came from 12¼% of the merchandise lines carried. This enabled us to reduce our inventories,

remove many unprofitable items and expand our branch operations with inventories of a "fast moving type".

How good is Acklands' management?

One need only look at the record—even before the 1966 acquisitions. From 1957 to 1966 we increased our sales from $5,750,000 to $19,800,000, and raised our profit, after taxes, from $90,000 to $460,000. In nine years we increased the number of branch operations from six to 36. It took sound planning, hard work on the part of all of our employees and the driving force of a strong management team to bring about these results. I know of no other "hard goods" distributor who has achieved such increased results during this period.

Now let me tell you about what has been done since our major expansion this year. I, myself, sometimes wonder how all this could have been achieved in so short a period of time. Most important, we have turned loss companies into profitable operations. During the first six months, management at provincial and divisional levels was engaged in a drive for cost reductions in order to put a stop to the losses of certain of the acquired companies. From January 2, 1967 to February 28, 1967, we "steam-rollered" the visible inefficient costs of the operation, reducing expenses by more than $2 million on an annual basis.

At that time we were involved in the preparation of the 1966 operating results, in evaluating and balancing accounts receivable, in checking inventories for over-stocking and obsolescence, and in attempting to re-

stock branches starved for good, fast moving inventories with saleable merchandise. There was also a tremendous imbalance of inventories which had to be corrected, many branch operations were merged to eliminate duplication in unprofitable areas and considerable moving of operations and renovation of branch facilities took place.

It was necessary within the first 60 days to dispose of \$1 million of redundant investments and real estate in order to retire 50% of the Bank of Montreal's loan of \$2 million paid to Bookers. We sold the Lone Star Auto Service Limited in Saskatchewan because it was in a line of distribution in which we did not want to participate. We had numerous product line changes. We isolated the obsolete inventories, then sold or returned to suppliers the merchandise which did not fit into our future operations. During this period we had to re-negotiate our transaction with Bookers, review matters of a legal and financial nature with lawyers, auditors, debenture holders, bankers; prepare for shareholder meetings and prepare our annual report.

We were confronted by new and more efficient competition moving into the Prairie Provinces and British Columbia. We found that the Booker group of companies had not kept their catalogues and price lists up to date and these had to be checked and revised. Sales policies were reviewed and strengthened. Management changes were required at branch levels to provide for better and more efficient branch operations.

Despite these problems, volumes were almost on par

with 1966. Profit before taxes, for the first six months of operations (five months of the new group), was $515,000 based on conservative calculation. It was the result of hard work by a hard-hitting, dedicated and co-operating team.

In the third quarter, considerable effort was expended to settle the operations down to a normal pace and to tie-up most of the loose ends brought about by our "steam-roller" tactics of the first 60 days.

Some of Acklands' product lines were introduced into the newly acquired companies and some new lines were added to Acklands' stock-in-trade. This required numerous meetings and instruction of personnel with regard to the various new product lines which were being introduced. During this period, further sales of redundant real estate enabled us to retire the balance of the Bank of Montreal's $2 million capital loan incurred to purchase Prairie Pacific Distributors.

In the third quarter, sales generation was at the same rate as in the previous year—$21 million with a profit, on a conservative accounting basis, of $565,000, before taxes.

These results, reflecting some of the cost reductions initiated earlier, were achieved at a time when most companies were reporting reduced earnings due to higher costs.

All this happened during a period of a slight economic slump in Western Canada and a worrisome case of the

"jitters" caused by events in the Middle East. There was concern across the prairies about dry weather, threatened crops and lack of wheat sales. There were forest fires in British Columbia that closed many logging operations. The construction industry of Ontario was crippled by costly, time-consuming strikes and frustrated by cut-backs in capital expansion programs. In the West and in the East, alike, the effect of the Carter Commission report was still being evaluated by industry. The Middle East situation, proposed tax increases, political instability—all were being weighed in the light of their effect on the future economy of Canada.

Now that we have passed November 30, our fiscal year-end (including 12 months of operations for Acklands and 11 months for the acquired companies), we can see more clearly the results of our efforts. Most important, our people have settled down. The understandable restlessness and uncertainty of earlier months has been replaced by a steadier, more positive attitude. The benefits of summer vacations are noticeable. There is a concerted effort to maintain the momentum which has been building up in the past three months and a readiness to accept new challenges.

Our sales in the past quarter are in excess of $25 million, and margins will be considerably higher than previously estimated. Our profits will be in excess of those contained in the estimates given to our bondholders and bankers. In fact, some of our subsidiaries will be required to pay income taxes.

In spite of the softness in the economy and problems

relating to the first three quarters of operations, it is expected that for the year (12 months for the Acklands companies and 11 months for the acquired businesses) we will have generated profitable sales volumes of approximately $83 to $84 million.

We feel that, while we have not completely overcome all of the operating difficulties in connection with the acquisitions, the resolution of these problems is close at hand and that our very capable and responsible staff can handle and resolve them in a short period of time.

What is more important, we feel that further acquisitions could be handled relatively easily without too great a strain on our human resources. This could be accomplished by adding responsibilities to other echelons within our present organization and by sharing some of this additional management burden with the personnel of the companies to be acquired. In fact, we are ready to accept new challenges.

There is a strong desire on the part of provincial managements to expand into areas where branches are required but where representation by our company does not exist at present, and to further expand product lines so that our customers can be provided with one stop shopping service.

We intend to expand eastward into the largest market place in Canada—Ontario and Quebec—to retain our various national franchises and to meet the requirements of many of our suppliers.

Expansion, of course, will continue in our own general area of business, in locations where we know we can operate efficiently and profitably.

For the past few months, negotiations have been conducted with a number of companies with a view to acquiring their operations. To date we have announced two of these acquisitions—Morgan Welding Supply Company Limited and Delisle Ltee, with a combined volume of sales in excess of $7 million. Morgan is quite profitable and it is anticipated that it will become even more profitable in the future. It has good personnel and operates at Sault Ste. Marie, Elliot Lake and Sudbury. It will be a useful extension of Acklands' welding division. The H. C. Burton operation of Acklands has branches at Sault Ste. Marie and Sudbury, so this northern Ontario area is not really new to us. The acquired branches will be under the direction of our Ontario vice-president who has had many years of experience in the distribution business.

Delisle Ltee is a group of distributors and warehouse re-distributors (through their subsidiary, D.A.L. Warehousing Ltd.) of automotive parts, supplies and equipment serving the automotive "aftermarket" trade. They are well located in the province of Quebec: at Dorion, Ste. Therese and Montreal; in Drummondville, Three Rivers, Shawinigan, LaTuque and Quebec City and at La Sarre, Amos, Rouyn, Val d'Or, Lorrainville, in northwest Quebec. Some of their branch operations have machine shops.

The operations will be placed under the direct supervision of our own automotive merchandise manager. He

is bilingual, acquainted with the area and well qualified for the task ahead of him.

Although for the past two or three years Delisle Ltee has been losing money, we project profitable results within our first 12 months of operations. We feel that it is not unreasonable to expect operating profits of at least 4% from this operation.

While we have agreed on the purchase of other companies under negotiation, there still remain the problems of legal documentation, transfer of franchises, and many other arrangements before we can tell you about these potential members of the Ackland distribution family. The combined sales volume in respect of the companies to be acquired is in excess of $15 million per annum. The total increase in sales volume as a result of all current acquisitions will be approximately $24 million. All purchases will be for cash, and interest-free notes. There will be no dilution of present shareholders' equity.

It is our intention to progressively broaden the distribution and marketing of Acklands' range of merchandise between the Atlantic and the Pacific. We are enthusiastic about moving into Quebec. We consider that province a market of great potential and a challenge worthy of the calibre and capacity of our management. We will seek success in this area of Canada by diligently employing what we believe to be Acklands' prime asset, and our most important sales strength—good service. Good service has been and still is the cornerstone of Acklands' business philosophy.

It seems to me that apart from technical considerations as price earnings ratios, yields and dividends, it was the investing public's confidence in the management of Acklands Limited which caused the price of our stock to move to its current position. It may, in fact, be good management that the public has been buying.

Let me assure you that we shall do our best to maintain and justify that confidence.

In closing this address, I should like to leave you with a counter question to the question asked of me by many of the members of the investment analysts fraternity: "How many times earnings should shares of a distribution company sell for?" May I in turn ask you "How many times earnings does a management team sell for?" When you have answered my question, I believe you will also have found the answer to the question you have so often asked of me.

Thank you.

ACKLANDS LIMITED

Head Office: 125 Higgins Avenue, Winnipeg, Manitoba

PRINTED IN CANADA

Consolidated Statement of Source and Application of Funds*

Six Months ended May 31, 1972
(with comparative figures for 1971)

	1972	1971
Source of Funds		
Income	$ 1,387,932	$ 171,156
Items not involving current funds:		
Depreciation	398,181	425,547
Gain on sale of fixed assets	(26,735)	(137,381)
Decrease in equity in 50% owned company	76,067	(30,970)
	1,835,445	428,352
Sale of Fixed Assets	280,484	963,321
Reduction of mortgages receivable and other investments	204,447	26,452
Proceeds of long term debt	120,491	225,000
	2,440,867	1,643,125
Application of Funds		
Additions to fixed assets	1,144,244	687,380
Reduction of long term debt	867,934	473,526
Dividends	431,547	—
Purchase of preference shares	512,713	114,082
Other	—	38,318
	2,956,438	1,313,306
Increase (decrease) in working capital	(515,571)	329,819
Working capital at beginning of year	27,284,639	26,227,531
WORKING CAPITAL AT END OF PERIOD	$26,769,068	$26,557,350

*Unaudited

ACKLANDS LIMITED
Head Office: 125 Higgins Avenue, Winnipeg, Manitoba

ACKLANDS LIMITED

Quarterly Report to Shareholders

1971	1972				
DEC	JAN	FEB	MAR	APR	MAY

Corp reports

Consolidated Financial Data*

For the six months ended May 31, 1972
(with comparative figures for 1971)

	1972	1971
Sales	$63,640,523	$55,569,530
Net profit before income taxes	1,550,932	171,156
Provision for corporation income taxes (estimated)	163,000	—
Net profit	1,387,932	171,156
Less: Dividends paid/accrued to first preference shareholders	22,984	26,952
Dividends paid/accrued to second preference shareholders	136,195	173,363
	159,179	200,315
Earnings (loss) available to common shareholders	$ 1,228,753	$ (29,159)
Number of common shares outstanding	1,601,984	1,601,984
Number of convertible third preference shares outstanding	867,285	867,285
Total common and third preference shares outstanding	2,469,269	2,469,269
Earnings (loss) per common share assuming full conversion of third preference shares	50¢	(1¢)

*Unaudited—Gross profit estimated generally on same basis as that achieved for 1971.

To the Shareholders:

The directors of Acklands Limited are pleased to report a continuing improvement in sales and profits during the first half of the current fiscal year.

For the six months ended May 31, 1972, sales were $63,640,523, up 14% compared to $55,569,530 for the same period last year.

Net profit after provision of $163,000 for estimated income taxes, was $1,387,932 or 50¢ per share, well ahead of the corresponding 1971 figure of $171,156.

The larger sales volume has been attained with practically the same investment in inventory and with only a small (5.5%) increase in accounts receivable as compared to the similar period last year. These two facts reflect the effectiveness of the system of tight controls maintained by the company's management.

It is also worth noting that sales for the first two quarters of the current year have exceeded the volume ($62,468,048) achieved during the corresponding period of 1970, notwithstanding the subsequent closing of a substantial number of unprofitable branches.

Management is currently engaged in detailed studies regarding Acklands' planned entry into the cable television field. At the same time the company is continuing its program of expansion from within and has recently opened six new branches in western Canada.

Also continued is the policy of cutting costs where possible and of constantly monitoring gross profit margins on goods sold.

Respectfully,

Hyman Bessin

HYMAN BESSIN
President

Winnipeg, Manitoba
July 4, 1972

(see over)

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

(unaudited)

For the six months ended May 31, 1973
(with comparative figures for 1972)

	1973	1972
Source of Funds:		
Income	$ 2,341,131	$ 1,387,932
Items not involving current funds		
Depreciation	384,234	398,181
Gain on sale of fixed assets	(746)	(26,735)
Increase in equity in 50% owned company	(32,706)	76,067
	2,691,913	1,835,445
Sale of fixed assets	34,597	280,484
Reduction of mortgages receivable and other investments	106,646	204,447
Proceeds of long-term debt	83,301	120,491
	2,916,457	2,440,867
Application of Funds:		
Additions to fixed assets	1,938,140	1,144,244
Reduction of long-term debt	678,988	867,934
Dividends	344,067	431,547
Purchase and redemption of preference shares	693,925	512,713
Premium on redemption of preference shares	40,898	—
Purchase of minority interest in subsidiary companies	26,316	
	3,722,334	2,956,438
Increase (decrease) in working capital	(805,877)	(515,571)
Working capital at beginning of year	34,136,083	23,397,973
WORKING CAPITAL AT END OF PERIOD	$33,330,206	$22,882,402

ACKLANDS LIMITED

Head Office: 125 Higgins Avenue, Winnipeg, Manitoba

ACKLANDS LIMITED

Quarterly Report to Shareholders

1972	1973				
DEC	JAN	FEB	MAR	APR	MAY

Cancorp

ACKLANDS LIMITED

To the Shareholders

Your directors are pleased to report excellent progress in Acklands' operations for the six months ended May 31, 1973.

Unaudited figures for the first half of the current fiscal year show sales of $72,303,564 compared to $63,640,523 for the same period in 1972, an increase of close to 14%. Net income rose nearly 70% to $2,341,131 from $1,387,932, bringing net earnings per common share to 89¢ compared to 50¢ a year earlier.

Viewed against the background of first quarter results (sales of $31,001,625 and net income $808,586), the three months ended May 31, 1973, produced revenue of $41,301,939 and net profit of $1,532,545.

All of Acklands' divisions showed increases in sales and earnings, with the automotive and leisure-oriented products contributing most to the company's growth and profitability.

Continuing a program of planned expansion in Ontario, Acklands acquired Queensbury Automotive Limited and Quick Tire Limited, two automotive jobbing operations in Toronto. Your management intends to broaden substantially the scope and size of both companies.

Some of Acklands' redundant real estate in Vancouver has been sold recently at a profit of approximately $1.2 million. As this transaction was completed after May 31, 1973, its effect on net income will be reflected in the company's next quarterly report.

The results of the first six months of operations have borne out the company's expectations and forecasts. Outlook for the remainder of the year is favourable and management is confident that growth in sales and profits will be maintained.

Hyman Bessin

Hyman Bessin,
President

Winnipeg, Manitoba,
July 10, 1973.

CONSOLIDATED STATEMENT OF INCOME

(unaudited)

For the six months ended May 31, 1973
(with comparative figures for 1972)

	1973	1972
Sales	$72,303,564	$63,640,523
Cost of sales, selling and administrative expenses before the following	67,441,120	60,165,812
	4,862,444	3,474,711
Deduct:		
Depreciation	384,234	398,181
Interest on long-term debt	564,000	591,313
Other interest	885,139	741,513
Remuneration of directors and other senior officers	358,646	212,665
Gain on sale of fixed assets	(746)	(26,735)
	2,191,273	1,916,937
Income before income taxes, minority interest and extraordinary items	2,671,171	1,557,774
Income taxes	1,310,000	750,200
Income before minority interest and extraordinary items	1,361,171	807,574
Interest of minority shareholders	4,040	6,842
Income before extraordinary items	1,357,131	800,732
Income tax reductions realized on the application of prior years' losses	984,000	587,200
final NET INCOME for the period	$ 2,341,131	$ 1,387,932
EARNINGS per share:		
before extraordinary item	49¢	26¢
extraordinary item (income tax reduction)	40¢	24¢
Net per share	89¢	50¢

~~TOTAL common shares outstanding 2,469,269~~